

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 3870

C O N F I D E N T I A L OTTAWA 2051

PASS AGRICULTURE FOR BUTZ, YEUTTER AND HUME

E.O. 11652: GDS

TAGS: ETRD, EAGR, CA

SUBJECT: NEGOTIATIONS WITH CANADA ON CERTIFICATION OF BEEF
PORK EXPORTS FREE OF DES

REF: STATE 138778

1. FOLLOWING ARE EMBASSY'S REPLIES TO QUESTIONS
RAISED REFTEL:

A. UNDER SECRETARY RITCHIE INFORMED AMBASSADOR
THIS MORNING THAT GOC IS AGREEABLE TO HOLDING A
MEETING ON THE DES CERTIFICATION PROBLEM IN OTTAWA
AT EXTERNAL AFFAIRS DEPARTMENT ON FRIDAY JULY 5.
GOC DELEGATION TO THE MEETING WOULD BE CHAIRED BY
A HIGH-LEVEL OFFICIAL FROM CANADA AGRICULTURE.
LEADERSHIP AND COMPOSITION OF U.S. DELEGATION WOULD,
OF COURSE, BE UP TO US. RITCHIE NOTED THAT JULY 1
IS CANADIAN HOLIDAY, JULY 4 IS U.S. HOLIDAY, AND IN
MID-WEEK SOME OF KEY OFFICIALS CONCERNED WITH DES
PROBLEM MUST BE IN MONTREAL FOR JULY 3 INTERNATIONAL
VERTERINARIANS MEETING; THEREFORE JULY 5 IS EARLIEST
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FEASIBLE DATE FOR BILATERAL MEETING.

B. EMBASSY BELIEVES CHANCES ARE GOOD THAT GOC WILL NEGOTIATE SERIOUSLY WITH VIEW TO REACHING AGREEMENT ON REASONABLE AND PRACTICABLE CERTIFICATION PROCEDURES. ON BASIS OF REPEATED STATEMENTS BY HIGH-LEVEL CANADA AGRICULTURE OFFICIALS WE ARE CONVINCED THAT THE SENIOR CIVIL SERVANTS AND THE TECHNICAL LEVEL OFFICIALS WHO HAVE BEEN WORKING ON THE DES PROBLEM ARE ANXIOUS TO FIND MUTUALLY SATISFACTORY SOLUTIONS. THERE IS NO DOUBT THAT THEIR COUNTERPARTS AT, E.G. EXTAFF, CONSUMER AND CORPORATE AFFAIRS, WOULD LIKE TO SEE DIFFERENCES RESOLVED. WHILE WE WOULD NOT UNDERESTIMATE STRENGTH OF GOC CONVICTION THAT ANY SOLUTION MUST PROVIDE REASONABLY FIRM ASSURANCE THAT DES TREATED BEEF WILL NOT ENTER CANADA, IT SEEMS CLEAR THAT ELECTION CAMPAIGN AND, IN PARTICULAR AG MINISTER WHELAN'S POSITION AS FARMERS' CHAMPION, HAS BEEN A COMPLICATING FACTOR IN RECENT WEEKS. ONCE ELECTION IS OVER AND REGARDLESS OF WHICH PARTY FORMS NEW GOVERNMENT, WE WOULD EXPECT FACTORS SUCH AS NEED TO TAKE ACCOUNT OF CONSUMER INTERESTS AND DESIRE TO AVOID CONFRONTATION WITH U.S. WOULD EXERT INFLUENCE ON DECISION MAKING.

EMBASSY CAUTIONS, HOWEVER, THAT IF \$8 TO \$10 DIFFERENTIAL BETWEEN U.S. AND CANADIAN CATTLE PRICES PERSISTS, AFTER DES CERTIFICATION PROBLEM SOLVED, GOC WILL BE UNDER HEAVY PRESSURE TO TAKE ACTION TO CUSHION ANTICIPATED HEAVY FLOW OF CATTLE AND BEEF INTO CANADA. SUCH ACTION COULD WELL INVOLVE SOME KIND OF QUOTA LIMITATION AT BORDER.

C. THERE IS NO DOUBT THAT U.S. ACTION DESCRIBED AS RETALIATION AGAINST BAN ON DES-TREATED BEEF WOULD BE CONSIDERED UNWARRANTED AND WOULD POISON U.S.-CANADIAN RELATIONS. CANADIANS CLAIM THEIR DES REQUIREMENTS ARE LEGITIMATE HEALTH MEASURES, INSTITUTED AT LEAST IN PART ON BASIS OF U.S. URGING WHEN U.S. BANNED USE OF DES. MEDIA WOULD POUNCE UPON U.S. ACTION AS CAUSE
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CELEBRE AND GOC WOULD BE UNDER HEAVY PRESSURE TO COUNTER-RETALIATE. WHETHER GOC COULD RESIST THIS PRESSURE IS OPEN TO QUESTION. THERE IS OF COURSE A BASIC RECOGNITION BY MOST CANADIAN POLITICAL LEADERS OF THE IMPORTANCE OF MAINTAINING A SOUND COOPERATIVE RELATIONSHIP WITH THE U.S. AND THE COOLER HEADS WOULD CAUTION PRUDENCE. EMBASSY NOTES THAT THERE HAVE BEEN A NUMBER OF THORNY AGRICULTURAL

TRADE ISSUES BETWEEN THE U.S. AND CANADA OVER THE YEARS AND THERE HAS DEVELOPED A TRADITION OF WORKING THESE OUT THROUGH CONSULTATION AND NEGOTIATIONS. THERE IS A REAL POSSIBILITY, HOWEVER, THAT GOC WOULD FEEL COMPELLED TO DEMONSTRATE ITS FORTITUDE BY COUNTER-RETALIATION AGAINST U.S. AGRICULTURAL IMPORTS. SINCE WE SELL CANADA MORE THAN TWICE AS MUCH IN THE AGRICULTURAL SECTOR AS CANADA SELLS US (\$1,068 MILLION VS. \$488 MILLION IN 1973) OUR TRADE INTERESTS COULD BE SERIOUSLY DAMAGED BY AN ESCALATING SERIES OF RESTRICTIVE ACTIONS. U.S. ACTION WOULD PROBABLY ALSO BE CITED AS JUSTIFICATION FOR FURTHER GOC MOVES TO INSULATE CANADIAN AGRICULTURE FROM U.S. INFLUENCE BY, FOR EXAMPLE, EXPANDING THE NATIONAL MARKETING AGENCY SYSTEM AND FARM STABILIZATION PROGRAMS, ALL TENDING TOWARD FURTHER TRADE RESTRICTIONS AT THE BORDER. ONE THING SEEMS CERTAIN, U.S. RETALIATION WOULD NOT FACILITATE SETTLEMENT OF THE DIFFERENCES OVER DES INSPECTION PROCEDURES. ON THE CONTRARY IT WOULD ELIMINATE THE POSSIBILITY OF AGREEMENT, AT LEAST IN THE NEAR TERM. NO CANADIAN GOVERNMENT COULD PUT ITSELF IN THE POSITION OF APPEARING TO KNUCLE UNDER TO THREATS OR PRESSURE FROM SOUTH OF THE BORDER. (FOREGOING IS NOT INTENDED TO SUGGEST THAT US SHOULD NEVER RETALIATE FOR UNJUSTIFIED ACTION BY CANADA BUT EMBASSY WOULD URGE THAT ANY SUCH ACTION BE LAST RESORT AND CLEARLY IN CONFORMITY WITH ACCEPTED GATT AND OTHER INTERNATIONAL OBLIGATIONS AND PROCEDURES.)

D. ALLEGED U.S. "THREAT" EMANATING FROM STATEMENTS BY SECRETARY BUTZ AND ASSISTANT SECRETARY YEUTTER HAS ALREADY RECEIVED HEAVY PLAY IN CANADA AND IN EMBASSY'S JUDGMENT HAS FORECLOSED POSSIBILITY OF ACCOMMODATION ON DES CERTIFICATION BEFORE ELECTION
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(WHICH IS OF COURSE ONLY A LITTLE MORE THAN A WEEK AWAY NOW). FURTHER PURSUIT OF THIS LINE IN THE PUBLIC PRINTS RISKS BRINGING U.S.-CANADIAN RELATIONS AS AN ISSUE INTO THE CLOSING DAYS OF THE CAMPAIGN AND PERHAPS MORE IMPORTANTLY, WILL PUT ANY NEW GOVERNMENT ON THE SPOT AND MAKE IT DIFFICULT TO REACH AGREEMENT EVEN AFTER THE ELECTION.
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